

Message Text

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ORIGIN STR-07

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FM SECSTATE WASHDC
TO USMISSION GENEVA IMMEDIATE

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U.S. MTN

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: GUIDANCE FOR AMBASSADOR MCDONALD'S MEETING WITH
DUFFY ON EXPORT SUBSIDIES

REF: GEN 96359

1. RE. REFTTEL, BELOW IS BACKGROUND TO BE USED AS GUIDANCE
FOR AMBASSADOR MCDONALD'S MEETING WITH DUFFY ON MAY 8.
2. THE AUSTRALIAN PROPOSAL FOR A CODE OF CONDUCT WITH
RESPECT TO EXPORT SUBSIDIES ON PRIMARY PRODUCTS IS SOMEWHAT
CONSISTENT WITH THE U.S. THINKING ON THIS MATTER WITH EX-
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CEPTIONS NOTED IN THE FOLLOWING PARAGRAPHS (3-7).

3. THE AUSTRALIAN DEFINITION OF AN EXPORT SUBSIDY ON A
PRIMARY PRODUCT IS TOO BROAD. ALL INCOME OR PRICE SUPPORTS,
SUCH AS THE U.S. DEFICIENCY PAYMENTS PROGRAM, WOULD CON-
STITUTE AN EXPORT SUBSIDY UNDER THE AUSTRALIAN DEFINITION.
THIS IS UNACCEPTABLE TO THE U.S. ONE DEFINITION FOR EXPORT

SUBSIDY UNDER CONSIDERATION IN WASHINGTON IS:

"ANY CHARGE ON THE PUBLIC ACCOUNT, OR ANY OTHER BENEFIT PROVIDED OR MANDATED BY GOVERNMENTAL ACTION, WHICH IS

CONVEYED DIRECTLY OR INDIRECTLY UPON ANY EXPORTED PRODUCT, AND WHICH RESULTS IN DIFFERENTIAL TREATMENT FAVORING PRODUCTS SOLD FOR EXPORT OVER LIKE OR DIRECTLY COMPETITIVE PRODUCTS SOLD DOMESTICALLY." THE TERMS "PUBLIC ACCOUNT" AND "GOVERNMENT" INCLUDE ANY POLITICAL SUBDIVISION OF GOVERNMENT AND ALL GOVERNMENTAL ENTITIES.

4. THE AUSTRALIAN PROPOSAL DOES NOT ADDRESS THE ROLE OF THE STANDING COMMITTEE IN THE AREA OF NON-PRIMARY PRODUCTS. WE BELIEVE THAT THE SUBSIDIES/CVD CODE SHOULD PROVIDE FOR SUCH A COMMITTEE TO RECEIVE NOTIFICATIONS AND TO REPORT ON ALL SUBSIDY PRACTICES RELATING TO BOTH PRIMARY AND NON-PRIMARY PRODUCTS.

5. THE AUSTRALIAN PROPOSAL STATES THAT EXPORT SUBSIDIES "MAY NOT BE CONFERRED ON PRIMARY PRODUCTS UNLESS SUCH SUBSIDY:

(A) IS IN ACCORDANCE WITH PROVISIONS AGREED IN MULTILATERAL INTERNATIONAL COMMODITY AGREEMENTS; OR

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(B) IS NOT USED IN SUCH A MANNER AS TO RESULT IN THAT COUNTRY HAVING MORE THAN AN EQUITABLE SHARE OF TRADE OF THAT PRODUCT EITHER GLOBALLY OR IN AN INDIVIDUAL COUNTRY MARKET."

WITH RESPECT TO (A), U.S. WOULD WANT TO ADD, "OR OTHER INTERNATIONAL UNDERTAKINGS" TO COVER ARRANGEMENTS THAT FALL SHORT OF FULL-FLEDGED COMMODITY AGREEMENTS. WITH RESPECT TO (B) WE BELIEVE EXPORT SUBSIDIES SHOULD NOT BE USED TO GAIN LARGER SHARE OF TRADE IN THAT PRODUCT EITHER GLOBALLY OR IN AN INDIVIDUAL COUNTRY MARKET THAN THAT EARNED OVER A REPRESENTATIVE PERIOD. HOWEVER, WE WOULD NOT OBJECT TO AUSTRALIA GOING FORWARD WITH ITS FORMULATION.

6. WE ALSO HAVE PROBLEMS WITH THE DISPUTE SETTLEMENT PROCEDURE IN THE AUSTRALIAN PROPOSAL. IT IS UNLIKELY THAT A STANDING COMMITTEE INCLUDING REPRESENTATIVES FROM EACH SIGNATORY WOULD BE ABLE TO MAKE OBJECTIVE JUDGEMENTS AND RECOMMENDATIONS. WE FAVOR THE ESTABLISHMENT OF PANELS TO REVIEW INDIVIDUAL COMPLAINTS AND TO MAKE FINDINGS AND RECOMMENDATIONS WITHIN A SPECIFIED PERIOD OF TIME, E.G. 90

DAYS, FROM THE DATE THE COMPLAINT IS FILED. IF THE PANEL'S RECOMMENDATIONS ARE NOT ACTED UPON, THE COUNTER-MEASURES OUTLINED IN PARA. 7(E) OF THE AUSTRALIAN PROPOSAL COULD BE TAKEN.

7. IN DISCUSSING THE AUSTRALIAN PROPOSAL WITH DUFFY AND OTHER AUSTRALIAN REPRESENTATIVES, U.S. REPRESENTATIVES SHOULD:

(A) INDICATE THAT AUSTRALIAN PROPOSAL INCLUDES MANY ELEMENTS WHICH ARE IN COMMON WITH THE U.S. THINKING ON THE SUBJECT;

(B) OUTLINE ORALLY THE DIFFERENCES BETWEEN THE LIMITED OFFICIAL USE

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AUSTRALIAN AND U.S. PROPOSALS DESCRIBED ABOVE; AND

(C) INDICATE OUR INTENTION TO COORDINATE CLOSELY WITH AUSTRALIA AS AN AGREEMENT ON SUBSIDIES/CVD TAKES SHAPE. CHRISTOPHER

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